

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Division of Boating and Ocean Recreation
Honolulu, Hawaii 96813

November 19, 2004

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

SUBJECT: Approval to go out to public hearings to amend mooring rates and other fees, Hawaii Administrative Rules Chapters:
§ 13-234-3 Mooring Rates at State boating facilities
§ 13-234-4 Mooring Rates, offshore & at anchor
§ 13-234-5 Mooring without permission
§ 13-234-25 Fees for commercial vessels
§ 13-234-34 Recreational ramp fees

Background

The mooring and fee schedules for the State's small boat harbors and boating facilities have remained unchanged since March of 1995. At that time the last of two fee increases became effective and fees have remained at the same level for nearly 10 years. During this time Hawaii's Consumer Price Index has gone up over 32% and the public's demand for ocean access has grown.

Maintenance of Hawaii's 21 small boat harbors and 54 boat ramps has failed to keep abreast of this growth curve and many are now in serious disrepair. The facilities suffer from a lack of maintenance and the issues of health and safety have risen to the forefront.

To address these concerns, the Division of Boating and Ocean Recreation is proposing across the board fee increases in both the recreational and commercial boating sectors. The Division of Boating and Ocean Recreation proposes a multi-step approach to fee increases and plans to incorporate them into an approach which will address both our operating funds and capital improvement needs.

The initial stage of the fee increase is designed to augment the Divisions repair and maintenance budget with a manageable influx of new funds for long delayed projects.

Coincidentally, the increase in the "Base" rent reflects the past ten year's growth of the Consumer Price Index (CPI) and also be adjusted to a small degree by each harbor's unique circumstances and available services.

The new proposed "Base" fee was established with these two factors in mind (Attachment 1). In addition, two conditional 8% increases are planned for the recreational boating fees but they will become effective only upon Legislative approval

of new CIP bond funding. Correspondingly both commercial rate fees and the State's ramp fee will also be increased in this package.

Methodology

In the past, it has not been clear how harbor mooring rates or groupings of harbors were established. With this submittal we are recommending that harbors be broken into 5 separate categories or "levels".

These groupings take into account demand for, location of, and facilities and services available at each of the respective harbors. Harbors are grouped according to similarities in these factors.

In order to be mindful of the relevant differences between the various harbors, establishing 5 levels of service is a consistent way of setting rates. Thus, boat owners and harbor users in each group will be charged the same rates.

The highest level, level A, includes Ala Wai which is located in a dense urban core and has significantly greater level of services available to its boaters and harbors users, compared with all other harbors. Therefore the Ala Wai boat harbor retains the highest moorage rates.

Level B, the second tier in the proposed moorage fee structure, includes high demand harbors typically near population centers. These harbors also have similar types of services available to boaters and harbor users.

Level C harbors can be described as community harbors. These harbors are either on a neighbor island or are located in rural Oahu. This group of harbors typically has fewer types of services available to harbor users and boaters than the previous group.

Level D harbors are typically smaller harbor facilities with fewer services and are typically situated in rural communities on the neighbor islands. This group of harbors, because of their size, does not have the same level of services as those in levels A through C.

The final group is level E. These harbors are typically isolated, undeveloped or underdeveloped and have very limited comparative services, thus they have the lowest moorage rates.

The intent is to group harbors with similar levels of service and set the mooring fees so boaters pay rates based on the relative level of service. This new proposed "Base" rate fee schedule will be sufficient to cover existing spending patterns, as well as providing an additional \$1.5 million to address pressing repair and maintenance needs which will be scheduled and expended promptly.

Two additional and conditional budget plans are included in this fee package. Called "1st year 10 million reimbursable CIP-conditional" and "2nd year 10 million reimbursable

CIP-conditional” they will provide an estimated \$2 million in additional revenue flow, of which \$1 million will be used for added repair and maintenance and \$1 million will be used for debt service on the proposed \$10 million General Obligation, reimbursable bond requests by the Division. The 2nd year is budgeted to generate an additional \$500,000 over year 1, of which \$2 million will be used to repay the two General Obligation reimbursable bonds and \$.5 million will be used for further maintenance and repair expenses.

These two additional, or conditional fee increases are projected using an 8% increase factor and are included in this package as conditional to generate sufficient funds to cover future debt service.

In the future, it is anticipated that DOBOR will ask for Legislative authority for \$10 million in reimbursable General Obligation bonds and that those issues will carry approximately \$1 million per year in annual charges. Please note the Division will condition the additional year fee increases on the actual funding of these bonds. If no bonds are authorized in a given year, there will be no 8% increase.

Public impact

We have heard from many in the boating community who suggested that a fee increase is needed to address the many deferred repair and maintenance projects. We agree that improvements are needed and revenue is needed to being these improvements.

We compared the proposed “Base” rent to the existing fees for typical boats in our harbors. Attached is a comparison of the new “Base” with the existing for typical rates in each harbor for theoretical 30 foot and 35 foot boats. The increase will be about \$28.50 per month for a 30 foot boat, and even in a prime location like the Ala Wai the increase will be only \$34.50 per month. [A recap has been provided to highlight the changes, in a dollar and cents manner, using an average 30 and 35 foot vessel, see Attachments 2 & 3].

This current fee package includes two other fee increases for two different categories of harbor users. Ramp fees will increase from \$25.00 per year to \$40.00 in the “Base” year, and commercial gross receipts fees will increase from 2% to 3%.

Ramp fees will also increase \$5.00 in the 1st year 10 million reimbursable CIP-conditional and the 2nd year 10 million reimbursable CIP-conditional to reach a total of \$50.00. All totaled these three increases will provide boating with approximately \$23,000,000 in new funds, both in CIP and repair & maintenance, to jump start the rehabilitation of our harbors.

Included in this submittal as attachment 4, is a comparison of Hawaii and West Coast harbor moorage rates. Current Hawaii rates, as well as the new proposed rates, are below all current West Coast moorage rates.

Over time the existing low fees schedules have created a situation whereby needed repairs and capital improvements could not be afforded. For perspective, the State’s

current fee level is only about 50% of the average West Coast rate (see Attachment 4). The proposed fee increases will narrow this margin but a wide gap will continue to exist.

In seeking alternatives which could better service the boating community, the State has recently offered to transfer control of the small boat harbors and ramps to the various Counties. In the event that this takes place, the Counties will evaluate future fee structures. The proposed increase in fees is necessary to help maintain our facilities while discussions continue with the counties and private entities for the possible operation of the State's boating facilities.

Recommendation

It is recommended that the Board of Land & Natural Resources:

- 1) Approve the Division of Boating and Ocean Recreation's request to go out to public hearing to amend Hawaii Administrative Rules Chapter: § 13-234-3 Mooring Rates at State boating facilities, § 13-234-4 Mooring Rates, offshore & at anchor, § 13-234-5 Mooring without permission, § 13-234-25 Fees for commercial vessels, and § 13-234-34 Recreational ramp fees.
- 2) Authorize the Chairperson to set dates and times for public hearings and appoint corresponding hearing masters.
- 3) The Department shall work with the different constituent groups on the remainder of the rule package that went out in 2001 and return to the Board by July 1, 2005 or sooner with a status report or with the remainder of the fee package rules.

Respectfully submitted,

Richard K. Rice
Administrator

Attachments

APPROVED FOR SUBMITTAL:

PETER T. YOUNG, Chairperson